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SIPDIS

DEPARTMENT FOR NEA/I AND NEA/IR
NSC STAFF FOR OLLIVANT

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TAGS: [PGOV](#) [PREL](#) [PTER](#) [EFIN](#) [IR](#) [IZ](#)
SUBJECT: KARBALA WELCOMES IRANIAN TOURISTS BUT WARY OF
IRANIAN INFLUENCE

Classified By: Classified By: Senior Advisor Gordon Gray for reason 1.4
(b) and (d).

¶1. (C) Summary: Karbala business leaders and government officials discussed their concerns about Iranian influence and reliance on tourism revenue from Iranian pilgrims in a visit November 2-3 by Senior Advisor Gordon Gray. Governor Aqeel al-Khazali (Da,wa) hinted that the Iranians were behind two recent plots to assassinate him, but still welcomed Iranian commercial activity in the province and said that current Iranian investment levels were modest. Mohsen al-Kenani, an independent Provincial Council member, expressed concern about Iranian produce filling Iraqi markets, arguing that the solution is more GOI support for domestic agricultural production. Another independent councilman, Kadhum as-Safi, called for Iraq's other neighbors to ease visa restrictions on Iraqi businessmen, who now find it easier to do business with Iran than with neighboring Arab countries with more stringent visa requirements. While none of our contacts expressed affection for Iranians, they acknowledged the economic benefits of Iranian tourism and investment while seeking a counterweight to Iranian influence. End summary.

¶2. (C) Governor Aqeel al-Khazali said the province needs foreign investment for economic development, emphasizing that he is willing to work with any investor whose plans are good for Iraq. He singled out a need for Gulf investment as well as Iranian investment in the tourism industry, estimating that the province receives up to 14 million tourists a year, including about 10 million Iranians who visit the shrines of Imam Hussein and Imam Abbas. But Karbala will not tolerate any political interference, he said, adding that a "group" had paid \$100,000 for a contract to assassinate him. Al-Khazali, who has previously blamed Iran for this and a previous assassination attempt, stressed in this meeting that Syria poses the greatest threat to Iraq by harboring terrorists. Iranian goods fill local markets because "we're living in poverty," and Iraqi production capacity is severely degraded, he said.

¶3. (C) Mohsen al-Kenani, an independent Provincial Council member, said that Iraqi produce cannot compete with Iranian and Syrian produce in local markets because the GOI fails to provide farmers subsidized fertilizer and water. He added that smugglers bring in guns and explosives with agricultural imports, but said that border controls have improved lately, lessening the risk.

¶4. (C) Another independent councilman, Kadhum as-Safi, told us that it is hard for Iraqi businessmen to travel to Syria and Jordan to develop business relationships, but easy for them to travel to Iran. As-Safi also demonstrated disdain for Iranians, noting that many Iraqis died in the Iran-Iraq war. He commented that Iranian religious sense-of-superiority is unwarranted: Shi,ism came to Iraq before it came to Iran. The problem regarding Iranian

influence is not that Iran is in Iraq, the problem is that no one else is in Iraq, he said.

¶15. (C) Also remembering the Iran-Iraq war, Chief Appellate Judge Abid Nour Farhan al-Fatlawi told the delegation that Karbala continues to suffer from the consequences of a wave of refugees from Basra during the war, which caused to a steep decline in the standard of living during recent decades. He said that Iranian officials visiting the province have failed to fulfill promises to assist with redevelopment.

¶16. (C) Hotel and Restaurant Association President Mohammed told us that Iranian tour operators had attempted to monopolize the religious tourism market by establishing Iranian-owned and -staffed restaurants in Karbala, insisting that pilgrims eat in these restaurants and negotiating low, flat rates at hotels. However, the provincial government closed the Iranian-owned restaurants, and the hotel association was able to negotiate more lucrative rates, he said.

¶17. (C) Comment: While Karbala has long-standing religious and commercial ties to Iran, these meetings reinforced our sense that the residents of the province will tend to resist political interference by Iran due to their deep sense of Iraqi nationalism. End comment.
CROCKER